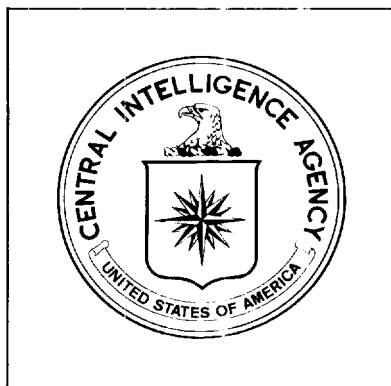


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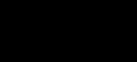
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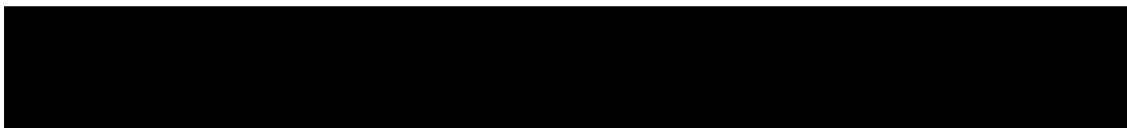
SOVIET UNION - EASTERN EUROPE

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Focus on Spain

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Increased Soviet attention to Spain has been visible in Soviet media for some time, particularly since the Portuguese revolution. Soviet commentators have described the Franco government as "decrepit" and have pointed out that Spain is ripe for political change.

Meanwhile, the Soviets have been making steady if unspectacular progress in establishing contacts with Spain. Commercial and trade ties have grown steadily under the terms of the 1972 trade agreement. A uranium enrichment agreement was signed in 1974. The Soviets have shown little interest in diplomatic relations with the Franco regime, however, apparently believing that Franco will not be around long enough to justify such a departure.

With an eye to the post-Franco era, the Soviets have sought to create at least the appearance of a

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reconciliation with the Spanish Communist Party and have largely abandoned the Spanish Communist Workers Party, which they had formerly maintained as a rival to the independent-minded official party. (SECRET NO FOREIGN DISSEM/NO DISSEM ABROAD/BACKGROUND USE ONLY/CONTROLLED DISSEM)

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Soviets Again Warn Japan of Consequences
of Signing on to Anti-Hegemony Clause

The Soviets have increased their protests against a Sino-Japanese peace treaty as negotiations between Peking and Tokyo are about to resume. Japan's Foreign Minister Miyazawa will meet with Chinese Foreign Minister Chiao Kuan-hua at the UN next week, and the two men may resolve remaining differences on a Sino-Japanese treaty.

An authoritative article in *Pravda* last week warned the Japanese that there would be "severe consequences" for Soviet-Japanese relations if Japan signed a treaty with China that contained the anti-hegemony clause. On September 17, the Soviet ambassador in Tokyo called on Miyazawa to warn that Foreign Minister Gromyko's visit to Tokyo depended on how Japan handled the anti-hegemony clause.

Gromyko's visit was tentatively scheduled for the end of the year, but was in doubt before it became known that Sino-Japanese negotiations on the treaty were about to resume. By linking Gromyko's visit to the treaty issue, the Soviets probably hope to give some substance to their threat of "severe consequences" ensuing from Japan's agreement to the anti-hegemony clause.

Moscow probably has not dismissed the possibility that its objections could, as they did last spring, help stall the Sino-Japanese negotiations, but the Soviets have long since become resigned to an eventual treaty containing the anti-hegemony clause. The Soviets also seem to be trying to impress on the Japanese that if they accept the anti-hegemony clause they will ultimately have to make some compensatory gesture toward the USSR. What

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Moscow would like most is Japan's agreement to negotiate the treaty of friendship and cooperation that Gromyko first proposed when Miyazawa was in Moscow last January. Such a treaty would skirt the seemingly irreconcilable Soviet-Japanese differences on territorial questions and would in the Soviet view politically nullify much of the impact of the Sino-Japanese accord. (CONFIDENTIAL)

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Hungary: Seeking Better Ties with US

Hungarian officials restated their desire for improved relations with the US during Deputy Secretary Ingersoll's three-day visit earlier this week.

The Hungarians' interest in the economic aspects of ties was, as usual, very evident. Party and government officials made the usual pitch for most-favored-nation status, but also showed an understanding of the separate roles played by the executive and legislative branches in the matter. Foreign Trade Minister Biro said that Hungary needs more investment funds and would welcome larger and more favorable credits.

In a similarly low-keyed manner, the Hungarians plugged for the return of the Crown of St. Stephen. They pointed to its symbolic importance, and claimed that the government was under pressure from intellectuals and the church, in particular, to get it back. Foreign Minister Puja said Budapest is "not impatient," but asked that Washington study the problem carefully.

On international affairs, Puja was skeptical of the interim agreement in the Middle East. He said Hungary is not afraid of a full realization of the Helsinki accord and called for faster progress in the force reduction talks. He argued that events in Cyprus and Portugal should be permitted to evolve without foreign interference, and predicted that "quite probably there will not be a Communist government in Portugal."

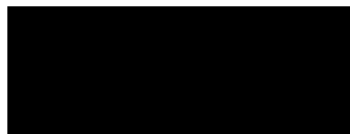
Puja asserted that some West European countries seem to confuse an easing of tensions with the quite separate problem of their own Communist parties, remarking that "the time is long past when Moscow

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controlled the Communist parties" in Western Europe. He did not, however, address himself to the situation in Eastern Europe. (CONFIDENTIAL NO FOREIGN DISSEM/BACKGROUND USE ONLY)



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